

Economic Factors to Weigh in Making Decisions in Drought

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Annual Forage Production in the Nebraska Sandhills

	1975	1976	1977	1978
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	kg / ha			
Grasses	729	451	353	779
Forbs	13	0	1	87
Total	742	451	354	866

Kartchner, 1983

Difference In Mean Simulated changes in Net Worth

March Range	\$150,919
March Cornstalks	\$104,082
June Range	\$156,993
June Cornstalks	\$97,367
August Cornstalks	\$93,876

The Answer is simple (right?)

$$\mathbf{MR = MC}$$

The First Issue Is When

- When are you in a drought?
- When is the best time to make decisions?
 - How severe will the drought be?

Other Problems With The Simple Answer Are Complex

- The factors that effect cost
 - Cost factors
 - Feed
 - Labor
 - Capital
 - Recovery damage trade-off

More Complexity

- The factors that effect Revenue
 - Revenue
 - Seasonal trends
 - Cyclical trends
 - Institutional effects
 - Tax law
 - Disaster Relief
 - Insurance ?

Several Examples

- Increasing Cost vs. Decreasing Revenue
- Increasing Cost vs. Increasing Revenue
- Decreasing Cost vs. Increasing Revenue
- Decreasing Cost vs. Decreasing Revenue

Other Factors That Influence Economic Decisions/Choices

- Personal Goals
- Business Goals
- Beliefs about your current environment
- Understanding of your options
- Availability of other resources

Thank-You

Discussion or Questions

One Possible Solution Is To Develop a Stepwise Stochastic Decision Aid

- A decision aid that allows them to see the outcome of their expectations, based on the current forecast.